

## Message Text

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ACTION SS-25

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FM AMEMBASSY TEL AVIV

TO SECSTATE WASHDC IMMEDIATE 6509

C O N F I D E N T I A L TEL AVIV 2646

STADIS////////////////////////////////////

EXDIS

FOR NEA-ASSISTANT SECRETARY ATHERTON ONLY

E.O. 11652: GDS

TAGS: PFORN, US, IS

SUBJ: AID TO WEST BANK

REF: STATE 74055

1. IN CONVERSATION MAY 1, EVRON (MFA) RECALLED DISCUSSION IN JERUSAELM DURING MARCH SHUTTLE WITH ASSISTANT SECRETARY ATHERTON CONCERNING AID TO WEST BANK AND GAZA. EVRON STATED THAT SINCE ATHERTON HAD RAISED SUBJECT " INFORMALLY AND UNOFFICIALLY" WITH HIM, THE STATUS OF HIS REPLY WAS ALSO " INFORMAL AND UNOFFICIAL."

2. EVRON NOTED THAT VARIOUS GOI AGENCIES HAD NOW COMPLETED REVIEW OF ALL ASPECTS OF SUBJECT OF HOW US AID FUNDS ("UP TO \$5 MILLION") EARMARKED FOR WEST BANK AND GAZA OUT OF SPECIAL MID EAST FUNDS SHOULD BE ADMINISTERED. ISRAELI POSITION IS THAT THESE FUNDS SHOULD BE ADMINISTERED THROUGH THE GOI AND NOT REPEAT NOT THROUGH THE VOLAGS.

3. EVRON MADE POINT OF NOTING THAT GOI HAD NO INTENTION OF ATTEMPTING TO INTERFERE WITH WORK OF VOLUNTARY AGENCIES ADMINISTERING PL 480 TITLE II ASSISTANCE OR OTHER AID. THESE WERE SEPARATE ONGOING PROJECTS WHICH GOI BELIEVES SHOULD CONFIDENTIAL

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CONTINUE BEING ADMINISTERED THROUGH THE VOLAGES.

4. EVRON STATED THAT THE GOI HAD NO FIXED IDEAS ON WHICH ORGAN OR AGENCY OF THE ISRAELI GOVERNMENT WOULD BE THE APPROPRIATE

VEHICLE FOR ADMINISTERING THE FUNDS. EVRON CONCLUDED BY SUGGESTING THAT WE MIGHT WISH TO INITIATE FORMAL DISCUSSIONS WITH THE GOI, EITHER IN WASHINGTON OR IN JERUSALEM, RE MODALITIES FOR ADMINISTRATION OF THESE FUNDS. HE SAID THAT HIS " INFORMAL AND UNOFFICIAL" REMARKS WOULD BE CONFIRMED AS THE OFFICIAL GOI POSITION AT SUCH TIME AS THIS SUBJECT WAS RAISED OFFICIALLY BY THE US.

5. COMMENT: FOR THE MOST PART, THIS WAS A LISTENING EXERCISE ON MY PART SINCE WITHOUT GUIDANCE I THOUGHT IT BEST TO JUST LISTEN TO WHAT EVRON HAD TO SAY. I SUGGESED WORD "MODALITIES" AS BEST DESCRIPTION OF PURPOSE OF POSSIBLE FORMAL DISCUSSIONS. EVRON AGREED THAT THIS WAS APPROPRIATELY VAGUE AND FLEXIBLE DESCRIPTION.

6. WE HAVE HAD THOROUGH DISCUSSION TODAY IN EMBASSY WITH CONSUL GENERAL DAY AND FOLLOWING IS OUR JOINT SUGGESTED APPROACH: AS WE UNDERSTAND PROCEDURE, VOLAGS AT PRESENT UTILIZE USG PL 480 TITLE II AID IN CLOSE CONSULTATON WITH GOI MILITARY GOVERNMENT. USG MAKES AID AVAILABLE DIRECTLY TO VOLAG AND VOLAG CONSULTS WITH MILITARY GOVERNMENT AUTHORITIES RE UTILIZATION OF THIS PROJECT AID. FOR EXAMPLE, A DEVELOPMENT PROJECT INVOLVING A NEW ROAD FOR A VILLAGE INVOLVES A TRIPARTITE AGREEMENT AMONG VILLAGE AUTHORITIES, VOLAGS AND APPROPRIATE OFFICE OF MILITARY GOVERNMENT. WE UNDERSTAND THAT IF THE ISRAELI AUTHORITIES DO NOT AGREE TO A PROJECT, THEN THE VOLAGS DO NOT PROCEED WITH IT.

7. WE HAVE NOTED FROM FILES THAT AT LEAST ONE VOLAG (CRS) SUBMITTED TO MILITARY GOVERNMENT AUTHORITIES AND GOI MINISTRY OF COSICAL WELFARE PROPOSAL FOR VERY MUCH ENLARGED THREE-YEAR PROGRAM ON EST BANK WHICH CRS HOPES WILL BE FOUNDED UNDER PRIVATE SECTOR DEVELOPMENT ASSISTANCE PROVISIONS OF FOREIGN ASSISTANCE ACT OF 1973. BOTH GOI AGENCIES RESPONDED FAVORABLY TO THIS IDEA. PROPOSAL IS NOW BEING CONSIDERED BY AID/WASHINGTON (TAB/NESA).

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8. A LITERAL READING OF EVRON'S REMARKS IS THAT FUNDS FROM THE FY-75 FAA EARMARKED FOR THE OCCUPIED TERRITORIES MUST BE CHanneled THROUGH THE GOI TO THE VOLAGS OR OTHER USERS. THIS WOULD BE IN KEEPING WITH THE CURRENTLY HEIGHTENED ISRELI SENSITIVITY RE ANYTHING SMACKING OF WEST BANK " INDEPENDENCE." IT IS POSSIBLE, HOWEVER, THAT THE GOI IN ITS REVIEW TO DATE HAS NOT FOCUSED ON THE FACT THAT IN CURRENT PRACTICE THE ISRAELI AUTHORITIES ARE NOT IGNORED, BUT INDEED PLAY AN ACTIVE ROLE IN THE DECISIONS LEADING TO THE UTILIZATION OF US AID ON THE WEST BANK. FURTHERMORE, IT IS POSSIBLE THAT THOSE ISRAELI OFFICIALS WHO PARTICIPATED IN THE REVIEW WERE NOT AWARE OF THE CRS PROJECT DISCUSSED ABOVE, NOR THE GOI FAVORABLE RESPONSE.

9. WE ASSUME THAT THE DEPARTMENT AGREES THAT THE WORST WAY THESE FUNDS CAN BE SPENT WOULD BE THROUGH A FORMAL AGREEMENT BETWEEN THE USG AND THE GOI WHICH BY ITS VERY NATURE WOULD SERVE TO GIVE AT LEAST DE FACTO RECOGNITION TO THE LEGITIMACY (AND LASTING CHARACTER) OF ISRAELI OCCUPATION OF THESE ARAB LANDS. IT SEEMS TO US THAT OUR BEST TACTIC AT THIS POINT IS TO CONSTRUE EVRON'S " INFORMAL AND UNOFFICIAL " COMMENTS IN THE MOST ADVANTAGEOUS MANNER; I.E., THAT THE GOI IS NOT INSISTING ON ACTIVELY BEING OUR OFFICIAL SUB-CONTRACTOR BUT RATHER WISHES TO ENSURE THAT IT IS NOT EXCLUDED FROM THE ACTION IN A WAY WHICH WOULD STRENGTHEN THE IMPRESSION THAT THE WEST BANK IS HEADING TOWARD " INDEPENDENCE" OR INCREASE THE PRESSURES TO THAT END. WE ALSO ASSUME THAT THE ISRAELIS ARE NOT PARTICULARLY ANXIOUS FOR A CONFRONTATION WITH THE US ON THE ISSUE OF HUMANITARIAN AND DEVELOPMENTAL AID FOR THE ARABS UNDER THEIR CONTROL.

10. UNDER THE CIRCUMSTANCES, IT MIGHT BE BEST FOR ME TO GO BACK TO EVRON IN THE NEAR FUTURE (WITH APPROPRIATE INSTRUCTIONS) TO CONTINUE THE DISCUSSION "INFORMALLY AND UNOFFICIALLY" TO DISCUSS THE " MODALITIES" OF ADMINISTERING THE AID IN QUESTION. THE HOPE WOULD BE TO ENCOURAGE THE ISRAELIS TO ACCEPT THE CONTINUATION OF THE PRESENT PROCEDURES WHEREBY THE USG DEALS DIRECTLY WITH THE VOLAGS, AND THE VOLAGS WORK THINGS OUT WITH THE RECIPIENTS OF THE AID AND THE ISRAELI AUTHORITIES. THE ONLY " NEW" ELEMENT WOULD BE MORE AID AVAILABLE, BUT PRESUMABLY USED BY THE SAME VOLAGS TO DO MORE OF WHAT THEY ARE ALREADY DOING. (A HOLE IN CONFIDENTIAL

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THIS REASONING MAY BE ANERA'S HOPE/PLAN TO PROVIDE US AID IN SIGNIFICANT AMOUNTS DIRECTLY TO WEST BANK INSTITUTIONS. WE DO NOT KNOW ENOUGH ABOUT THIS, NOR POSSIBLE PAST US AID GIVEN DIRECTLY TO SUCH INSTITUTIONS TO COMMENT FURTHER.)

11. WE BELIEVE THAT DISCUSSION IN PURELY ABSTRACT TERMS WOULD MAKE IT EASIER FOR ISRAELIS TO INSIST ON PROCEDURE POLITICALLY MORE ADVANTAGEOUS FOR THEM.

12. IT WOULD BE USEFUL, THEREFORE, TO HAVE FAIRLY GOOD IDEA OF AT LEAST GENERAL OUTLINES OF PROBLEM WHICH US WISHES TO PURSUE, WITH SOME SPECIFICS AS TO VOLAGS INVOLVED, ILLUSTRATIVE TYPES OF PROJECTS ENVISIONED, ETC.  
VELIOTES

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